

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE COMMISSION, §

Plaintiff, §

v. §

Civil Action No. 3:05-CV-1328(BD)

MEGAFUND CORPORATION, STANLEY A. §

Document 227 Filed 11/02/2006 Page 1 of 5
ECF

LEITNER, SARDAUKAR HOLDINGS, IBC., §

Referred to the U.S. Magistrate Judge

BRADLEY C. STARK, CIG, LTD., and §

JAMES A. RUMPF, Individually and d/b/a §

CILAK INTERNATIONAL, §

Defendants, §

and §

PAMELA C. STARK, §

Relief Defendant. §

**RECEIVER'S MOTION TO APPROVE
SETTLEMENT WITH ROBERT REESE**

TO THE HONORABLE JEFF A. KAPLAN, UNITED STATES MAGISTRATE JUDGE:

COMES NOW, Michael J. Quilling as Receiver for Megafund Corporation and Lancorp Financial Group LLC, ("Plaintiff" or "Receiver") and files this his Motion to Approve Settlement with Robert Reese. In support of this motion, the Receiver would respectfully show the Court as follows:

1. On July 1, 2005, the Securities and Exchange Commission ("SEC") initiated these proceedings against numerous defendants involved in different levels of a purported investment program. *See Complaint* [Dkt. No. 1]. By order of July 5, 2005 this Court appointed Michael J. Quilling as Receiver for the defendants and relief defendant and he has since continued to function

in that capacity. *See Order Appointing Temporary Receiver* (“Order Appointing Receiver”) [Dkt. No. 9], as amended July 19, 2005 [Dkt. No. 36].

2. In January 2006 the receivership was expanded to include Lancorp Financial Group, LLC and Lancorp Financial Fund Business Trust. *Agreed Order Expanding Receivership and Appointing Receiver* [Dkt. No. 84], as amended March 1, 2006 [Dkt. No. 98]. The Court appointed Michael J. Quilling as Receiver for those entities and he has since continued to function in that capacity. *Id.*

3. The Order Appointing Receiver expressly authorizes legal action to recover funds transferred out of the Receivership Estate:

The Receiver is hereby authorized to institute such actions or proceedings to impose a constructive trust, obtain possession and/or recover judgment with respect to persons or entities who received assets or funds traceable to investor monies.

Id. [Dkt. No. 36] at ¶ 13.

4. Accordingly, on May 30, 2006, the Receiver filed a Complaint against Robert Reese, Gary McDuff, and several other individuals and entities that received a combined \$304,272.58 from Megafund and Lancorp. *Complaint* [Dkt. No. 1] (3:06-CV-0959). In particular, the Receiver alleged that Robert Reese, individually and d/b/a Excel Financial, Inc., received \$45,792.89 in proceeds from fraudulent transfers or money otherwise held in constructive trust. *Id.* at ¶ 14 (3:06-CV-0959).

5. Robert Reese and the Receiver have entered into a Settlement Agreement to resolve the claims and defenses at issue in this case. As part of that agreement, Robert Reese has agreed to: (1) provide the Receiver with sworn financial statements; (2) release his claim to four different accounts maintained by Cash Cards International, Marshall BankFirst, and First National Bank of

Central California and instruct those institutions to pay all account balances to the Receivership Estate; and (3) pay the Receivership Estate an additional \$6,000.00 settlement amount in twelve monthly installments. The proposed Settlement Agreement is attached as Exhibit "1" and fully incorporated for all purposes.

6. In all, the parties agree that the Receivership Estate's total recovery should be nearly \$19,000.00. The Receiver has already reviewed Robert Reese's sworn financial statements and determined that his assets are not likely to support a judgment above that amount. This agreement, therefore, is in the Receivership Estate's best interests and would provide the highest recovery of investor funds with the least expense.

WHEREFORE, PREMISES CONSIDERED, the Receiver requests that the Court enter an Order approving the proposed Settlement Agreement attached as Exhibit "1" and awarding the Receiver such other and further relief, general or special, at law or in equity, to which he may show himself justly entitled.

Respectfully submitted,

QUILLING SELANDER CUMMISKEY & LOWNDS, P.C.
2001 Bryan Street, Suite 1800
Dallas, Texas 75201-4240
(214) 871-2100 (Telephone)
(214) 871-2111 (Facsimile)

Case 3:05-cv-01328 Document 227 Filed 11/02/2006 Page 4 of 5

By: /s/ Brent J. Rodine

Michael J. Quilling
Texas State Bar No. 16432300
Email: mquilling@qsclpc.com
Brent J. Rodine
Texas State Bar No. 24048770
Email: brodine@qsclpc.com

ATTORNEYS FOR RECEIVER

CERTIFICATE OF CONFERENCE

Pursuant to Local Civil Rule 7.1, I participated in separate telephone conferences with the following parties on November 2, 2006 and they do not oppose the relief requested:

Stephen J. Korotash,
Attorney for the SEC

Barry S. Zisman, Case 3:05-cv-01328 Document 227 Filed 11/02/2006 Page 5 of 5
Attorney for Robert Reese

/s/ Brent J. Rodine

CERTIFICATE OF SERVICE

This is to certify that on November 2, 2006, a true a correct copy of this motion has been served on the parties in this matter by electronic notice and by U.S. mail, with first-class postage pre-paid, to:

Barry S. Zisman
905 Murl Drive
Irving, Texas 75062

/s/ Brent J. Rodine

This Motion will also be posted on the Receiver's website, www.secreceiver.com after filing.